

Great West Steel Industries Ltd.

Annual Report 1980



The Company, its Products and Services

GREAT WEST STEEL INDUSTRIES is a Canadian owned public company engaged in technical services, engineering, manufacturing, industrial distribution, equipment and mobile crane rentals.

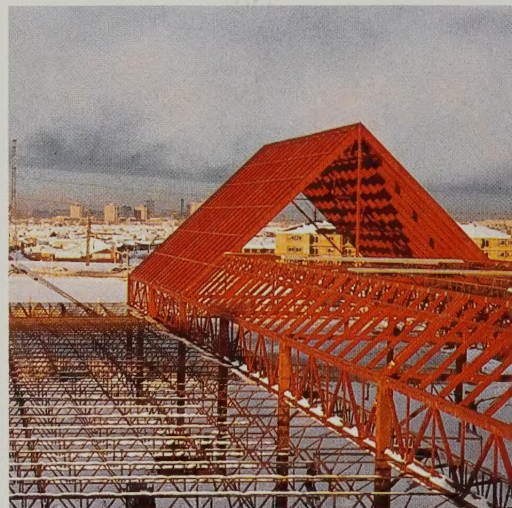
The steel manufacturing plants at Seattle, Vancouver, Edmonton, Calgary and Saskatoon design, engineer, manufacture and install open web steel joists, structural steel, steel plate work, miscellaneous iron work and industrial steel work for the construction industries of Western Canada and the U.S.A. Pacific Northwest.

The Fiberplast division manufactures and supplies polyester resins and related raw materials to the fiberglass reinforced plastics industry of Western Canada.

The crane service division owns a large fleet of mobile cranes operating from bases at Edmonton, Calgary and Vancouver. The division provides crane service and crane rentals, steel, wood and concrete erection and installation, dock work, pile driving and plant maintenance service.

A coal test plant and laboratory at Calgary washes and analyzes bulk and core coal samples for the mining industry.

The Wespac Products division wholesales industrial products primarily to the recreational service industry of British Columbia.



Top Joists and structural steel are the main products of the steel division.

Bottom GWS steel for the Heritage Mall shopping centre at Edmonton.

Top The Coal Test plant washes and blends bulk coal samples for Western Canadian coal companies.

Bottom The Crane Division provides crane services to the construction industry of Western Canada.



The Year in Brief

in thousands of dollars except as indicated

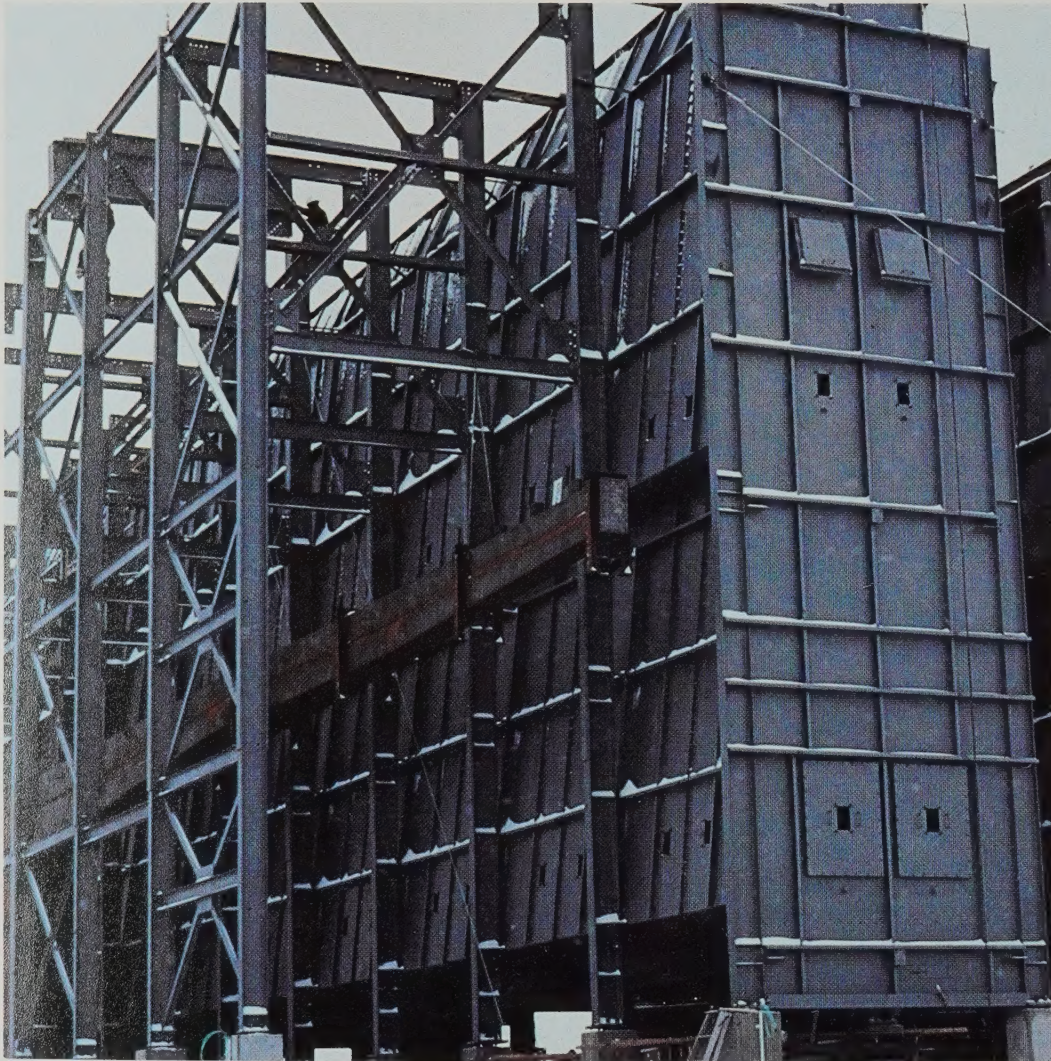


	1980 \$	1979 \$ (restated)
NET WORKING CAPITAL	13,777	9,310
NET FIXED ASSETS	19,403	15,676
OTHER ASSETS	5,683	283
TOTAL NET ASSETS	38,863	25,269
REPRESENTED BY:		
Funded Debt	25,673	19,401
Shareholders' Equity	13,190	5,868
	38,863	25,269
CAPITAL EXPENDITURES ON FIXED ASSETS	2,140	9,405
TOTAL PAYROLL AND BENEFITS	24,707	16,822
NUMBER OF EMPLOYEES AT YEAR END	932	752
SALES	63,428	44,901
EARNINGS††		
Before Extraordinary Items	2,563	801
After Extraordinary Items	3,873	2,217
EARNINGS AS % OF SALES		
Before Extraordinary Items	4.0%	1.8%
After Extraordinary Items	6.1%	4.9%
EARNINGS PER SHARE**		
Before Extraordinary Items	95¢	18¢
After Extraordinary Items	\$1.63	92¢
CASH FLOW PER SHARE**		
Before Extraordinary Items	\$2.91	\$1.21
After Extraordinary Items	\$2.37	\$1.58

††After applicable Income Taxes

**Based on a weighted average of 1,935,470 Common Shares outstanding in 1980 (1979 -1,902,495).

Above Newly acquired Wespac Products and newly merged Fiberplast Products provide goods and services to the reinforced plastics recreational industry in Western Canada.



Above Industrial steel work is fabricated primarily at our Richmond and Calgary steel plants. This huge furnace was manufactured at Calgary for the Foster Wheeler Energy Corporation.

Top Right Wespac Products is a major distributor for the recreational vehicle industry.

Centre Right The control room at the highly automated resin manufacturing plant of Fiberplast at Winfield, B.C.

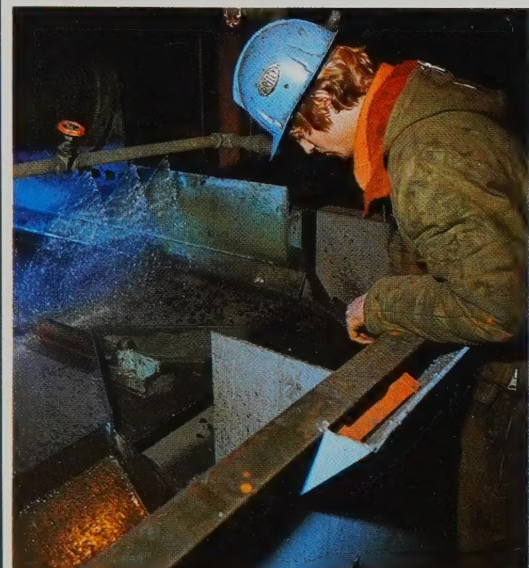
Right Ship unloading at Vancouver Harbour is an important activity of the Super Crane Division.



Report to the Shareholders

Top The New Westminster plant supplied steel for the Woodgrove Shopping Centre at Nanaimo, B.C.

Bottom Birtley analyses coal samples for potential overseas markets.



1980 was an excellent year for Great West Steel. All operating divisions showed improvement over 1979 and we have every indication that this trend will continue.

1980 earnings before tax increased to \$4.9 million on sales of \$63.4 million. In 1979 earnings of \$1.5 million were realized on sales of \$44.9 million. High interest rates combined with increased working capital requirements due to higher sales levels resulted in an increase in 1980 interest expense to \$2.5 million from \$1.7 million in 1979. Depreciation and amortization increased to \$1.5 million in 1980, up from \$.8 million in 1979. In spite of this, working capital in 1980 climbed to \$13.8 million from \$9.3 million in 1979.

Management concentrated its efforts in 1980 on plant and management upgrading. The Company has an extensive program of identifying career oriented individuals and planning their activities to provide them with the tools for future management roles. Much of our operational improvement is a result of this program. Most of our capital expenditure in 1980 was related directly to improving production capability and material handling facilities in our plants. This will help to stabilize our position in a rather cyclical construction market.

In October, the shareholders of the company approved the merger of Great West Steel Industries Ltd. and Fiberplast Products Ltd. Fiberplast is Western Canada's leading supplier of plastics raw materials to the reinforced plastics industry, with a chemical plant located in Winfield, B.C. This move will broaden the base of the Company and will provide additional stability and opportunity over the long term.

In late 1980, a lease purchase agreement was concluded with Zenith Steel Fabricators Ltd. to acquire the physical assets and real property of its plant in Richmond, B.C. All Zenith

employees were offered employment with the Company, effective January 1, 1981. This plant operation greatly expands our capability in the industrial markets and should be a major factor in our continuing growth.

The Company also acquired the outstanding shares of Wespac Trailer Supply Ltd., subsequently renamed GWS Purchasing & Warehousing Corporation. Wespac is a major distributor of parts to the recreational vehicle and marine industries. This company has historically operated closely with the wholesale distributor division of Fiberplast and will continue to do so as Wespac Products Division.

What do we see for 1981? The construction industry in Western Canada continues to be active, although Alberta is some cause for concern. High interest rates and the continuing saga of the Provinces versus Ottawa controversy are having a serious negative effect on many projects — large and small.

Secondary industry is maintaining a strong pace and consumer spending in marine and recreational products bodes well for Fiberplast and Wespac in 1981.

With continuing interest in coal exploration and mining development, our Coal Testing division in Calgary is operating at an unprecedented high level. Forecasts for 1981 suggest even heavier demands on this facility.

The Atlas and Super Crane divisions continue to grow. Again, our concern in 1981 is the Alberta economy. Continuation of high interest rates will curtail our program of adding new units to our fleet.

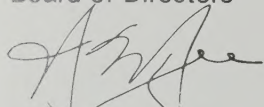
All in all, 1981 is expected to be a satisfactory year for the Company. Our approach will continue to be rather conservative, with our energies devoted to improving what we are already doing. We will maintain our philosophy of decentralized integrated operating

REPORT TO THE SHAREHOLDERS *(continued)*

units. Much of our recent success is attributed to our ability to provide total and competent service in many different market areas. Our ongoing goal is to retain the confidence of our customers in every operating region so that we continue to have the opportunity of providing the most efficient and technically sound products and services.

We are all excited about the Company's future. Our employees are justly proud of their accomplishments in 1980. We look forward to a successful 1981.

On Behalf of the
Board of Directors



HUGH A. MAGEE,
Chairman & Chief Executive Officer

March 30, 1981



We appreciate our twelve hundred employees. Their skill, industry and devotion has made this Company a success.

Coal Testing

The Birtley Coal Testing Division kept pace with the continuing and growing interest in coal in Western Canada and the U.S. Increased laboratory capacity and new equipment will provide for the anticipated high levels of demand for the services of this facility in the future.



Experienced qualified lab technicians carry out sophisticated analysis of the chemical and physical composition of Western Canadian and U.S. coals to determine the washability characteristics, chemical composition and impurities of raw coal.

Left Inset A coal preparation technician is regulating the flow of five alternate coal preparation processes available at the Birtley plant.

Right Inset Coal samples arrive at our plant from exploration sites of northwestern North America and from existing coal mines. Samples range in size from a few grams to several hundred tons.



Steel

The broadening of our engineering base along with plant upgrading has shown positive results in all the integrated steel fabricating plants. More and more contractors and developers are counting on Great West Steel to provide innovative ideas right from the start of complex projects. Full capability at each plant means that many major jobs can be comfortably carried on at the same time in a wide geographic area.

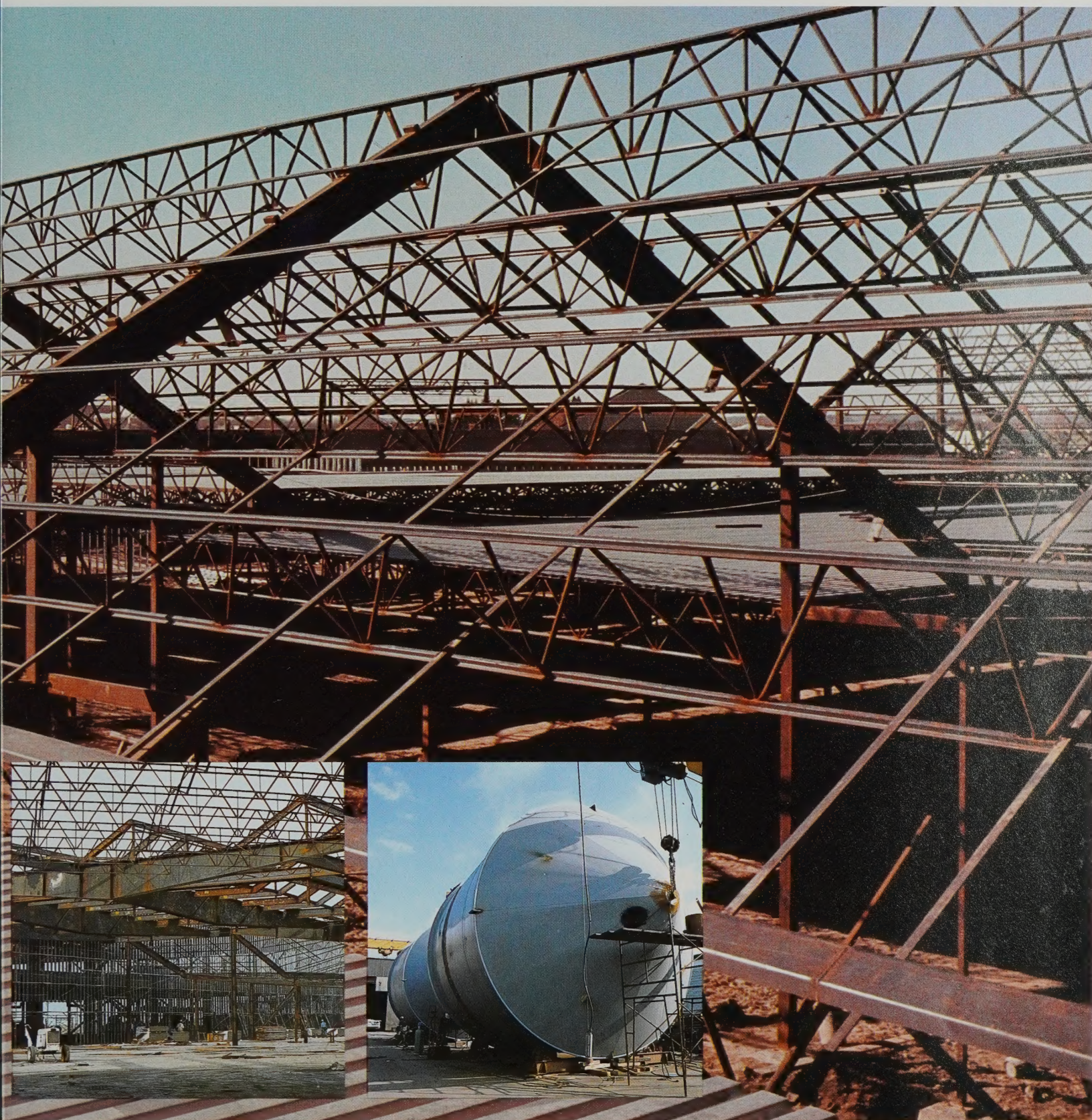
The Bower Place, Red Deer, Alberta, shopping centre steel work designed, engineered, fabricated and erected by our Calgary plant for Daon Development Corporation is typical of numerous shopping centres supplied by Great West Steel plants during the year.

Left Inset These huge trusses fabricated at our Calgary plant will support the roof of the Roundup Centre at the Calgary Exhibition & Stampede.

Centre Inset Steel for the Fashion Island Shopping Mall at San Mateo, CA and for several other shopping centres in the Western States was designed, supplied and erected during the year.

Right Inset Industrial steel work is a well established activity of the Richmond plant. 250-ton silos for Steel Bros. of Canada Ltd. were a recent job.





Crane Service

The Atlas Crane Services and Super Crane Divisions continued to grow in 1980. Rapidly rising equipment costs and high interest rates are dictating the need for even greater utilization of the crane fleet. The demand in Western Canada for this service continues to grow. Our technology and equipment is keeping pace with this growth.

The movement of heavy containers is one of several dock services provided by Super Crane at the Port of Vancouver.

Top Left Inset A heavy conventional crane lifting concrete to the top of an Edmonton highrise.

Bottom Left Atlas Cranes at a Calgary construction site.

Centre Inset Industrial Plant maintenance work is a major activity of Atlas Construction & Crane Service.

Right Inset Modern hydraulic cranes and skilled operators are a hallmark of our crane division.





Fiberplast

The Fiberplast Division continues as Western Canada's leading supplier of polyester resins and raw materials to the fiberglass reinforced plastics industry. The Winfield chemical plant had a busy year in 1980. The major markets include marine, construction products, pulp and paper plants and the recreational vehicle industry.



The tank farm of raw material chemicals at the Winfield, B.C. resin manufacturing plant of Fiberplast.

Left Insets The production of gelcoat mixed to customers' precise colour specifications is a major activity at both the Winfield and Burnaby plants of Fiberplast.

Bottom Right Inset Inventories of newly manufactured polyester resin for immediate delivery to customers in the recreational vehicle and pleasure craft manufacturing industries of Western Canada.



Wespac

The Wespac Products Division had an excellent year in 1980 and is growing rapidly. As a wholesale supplier of industrial products, many opportunities exist for expansion utilizing the existing facilities.

Demand for industrial distributor services continues to increase. Wespac is well qualified to meet that demand.



The order desk at Wespac is staffed by knowledgeable competent sales personnel.

Top Inset The large modern warehouse provides efficient handling and quick service to Wespac's customers.

Bottom Inset Attractive display space and helpful staff cater to Wespac's many satisfied customers.

Consolidated Statement of Earnings and Deficit*for the year ended December 31, 1980*

	1980 \$	1979 \$ (restated)
SALES	<u>63,427,739</u>	<u>44,900,925</u>
EARNINGS FROM OPERATIONS	<u>8,888,818</u>	<u>3,981,156</u>
OTHER EXPENSES		
Interest on Long Term Debt	1,871,882	856,076
Other Interest	613,230	834,651
Depreciation and Amortization	1,481,205	778,480
	<u>3,966,317</u>	<u>2,469,207</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY ITEMS	<u>4,922,501</u>	<u>1,511,949</u>
PROVISION FOR INCOME TAXES	<u>2,360,000</u>	<u>710,600</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>2,562,501</u>	<u>801,349</u>
EXTRAORDINARY ITEMS (Note 7)	<u>1,310,000</u>	<u>1,416,136</u>
EARNINGS FOR THE YEAR	<u>3,872,501</u>	<u>2,217,485</u>
(DEFICIT) — BEGINNING OF YEAR	<u>(8,658,059)</u>	<u>(10,415,881)</u>
DIVIDENDS		
Preferred Shares	<u>(710,763)</u>	<u>(459,663)</u>
(DEFICIT) — END OF YEAR	<u>(5,496,321)</u>	<u>(8,658,059)</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

TO THE SHAREHOLDERS OF GREAT WEST STEEL INDUSTRIES LTD.

We have examined the Consolidated Balance Sheet of Great West Steel Industries Ltd. (a British Columbia Company) and Subsidiaries as at December 31, 1980 and 1979, and the related Consolidated Statements of Earnings and Deficit and the Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Financial Statements present fairly the financial position of Great West Steel Industries Ltd. and Subsidiaries as at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

March 20, 1981.
Vancouver, B.C.

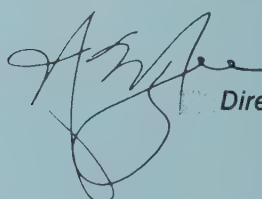
Arthur Andersen & Co.
Chartered Accountants

Consolidated Balance Sheet

as at December 31, 1980

	1980 \$	1979 \$ (restated)
Assets		
CURRENT		
Accounts Receivable	16,229,146	11,129,588
Inventories (Note 3)	11,961,744	8,527,062
Prepaid Expenses	214,338	116,306
	<u>28,405,228</u>	<u>19,772,956</u>
LONG TERM RECEIVABLES	267,116	85,352
FIXED ASSETS (Note 4)	19,403,034	15,675,565
DEFERRED FINANCE EXPENSE	320,518	197,664
EXCESS OF COST OF SUBSIDIARY over net value of tangible assets at date of acquisition, net of amortization (Note 2)	<u>5,095,596</u>	<u> </u>
	<u>53,491,492</u>	<u>35,731,537</u>
Liabilities		
CURRENT		
Bank Advances (Note 5)	3,904,872	4,574,969
Accounts Payable	9,054,132	5,034,776
Current Portion of Long Term Liabilities (Note 5)	1,669,308	853,037
	<u>14,628,312</u>	<u>10,462,782</u>
TERM BANK ADVANCES (Note 5)	19,518,933	13,445,465
LONG TERM DEBT (Note 5)	6,153,763	5,955,365
	<u>40,301,008</u>	<u>29,863,612</u>
Shareholders' Equity		
CAPITAL STOCK (Note 6)	18,686,805	14,525,984
(DEFICIT)	<u>(5,496,321)</u>	<u>(8,658,059)</u>
	<u>13,190,484</u>	<u>5,867,925</u>
	<u>53,491,492</u>	<u>35,731,537</u>

Approved by the Directors



Director



Director

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1980

	1980 \$	1979 \$ (restated)
Sources of Funds		
CURRENT OPERATIONS		
Operations	5,290,468	2,770,182
Deduct Dividends on Preferred Shares	710,763	459,663
	<u>4,579,705</u>	<u>2,310,519</u>
FINANCING ACTIVITIES		
Bank Advances	2,573,468	6,084,465
Conditional Sales Contract	400,000	
Capital Stock	138,210	4,000,000
Capital Stock Issued to Acquire Subsidiaries (Note 2)	4,022,612	
	<u>7,134,290</u>	<u>10,084,465</u>
Deduct Long Term Debt Retired	1,801,024	52,281
	<u>5,333,266</u>	<u>10,022,184</u>
DISPOSAL OF LONG TERM ASSETS		
Receivables	12,011	22,729
Fixed Assets	92,535	22,055
Investments		1,481,027
	<u>104,546</u>	<u>1,525,812</u>
	<u>10,017,517</u>	<u>13,858,515</u>
Use of Funds		
ADDITIONS TO LONG TERM ASSETS		
Fixed Assets	2,139,889	9,405,071
Investment in Acquired Subsidiaries (Note 2)	3,249,911	
Other	160,975	28,154
	<u>5,550,775</u>	<u>9,433,225</u>
INCREASE IN WORKING CAPITAL	<u>4,466,742</u>	<u>4,425,290</u>
WORKING CAPITAL — BEGINNING OF YEAR	<u>9,310,174</u>	<u>4,884,884</u>
WORKING CAPITAL — END OF YEAR	<u><u>13,776,916</u></u>	<u><u>9,310,174</u></u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

for the year ended December 31, 1980

Note 1. Significant Accounting Policies and Principles

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries.

Translation of Foreign Currencies

Current assets and liabilities originating in foreign currencies are translated at year end exchange rates. All other assets and liabilities denominated in foreign currencies are translated at rates prevailing when the assets were acquired or the liabilities incurred. Income and expense items other than depreciation are translated at average rates prevailing during the year. The gains or losses resulting from these translations are reflected in the Statement of Earnings and Deficit.

Recording of Income

Profits on contracts are recorded on the basis of estimates of percentage of completion, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy.

If contracts extend over one or more fiscal years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period when the facts which require the revisions become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

Inventory Valuation

Raw materials and supplies are recorded at the lower of average cost and net realizable value. Work in progress represents costs and estimated earnings in excess of billings.

Depreciation

Depreciation is calculated at rates which will reduce the original cost of fixed assets to estimated residual values on a straight-line basis at the following rates:

Buildings	3% to 10%
Equipment	5% to 30%

Excess of Cost of Subsidiary over Net Value of Tangible Assets

The excess of cost of subsidiaries over net value of tangible assets at date of acquisition is amortized on a straight line basis over 20 years.

Deferred Finance Expense

Expenses of obtaining long term debt are deferred and amortized over the term of the financing.

Note 2. Acquisition

On December 1, 1980 the Company purchased all of the outstanding shares of Fiberplast Products Ltd. a Company wholly owned by H. A. Magee, the Chief Executive Officer of Great West Steel Industries Ltd. The principal business of the acquired company is the manufacture and distribution of polyester resins and related products to the fiberglass manufacturing industry.

This transaction is summarized as follows:

Consideration:		\$
Demand Promissory Note		1,527,388
Preferred Shares (Note 6)		4,022,612
		<u>5,550,000</u>

Note 2 (continued)

Allocation of Proceeds:	\$
Fixed Assets	3,100,193
Long Term Receivables	32,800
Excess of Cost of Subsidiary over Net Value of Tangible Assets at Date of Acquisition	5,116,918
Long Term Bank Financing	(5,000,000)
Investment in Acquired Subsidiary	3,249,911
Working Capital at Date of Acquisition	2,300,089
	<u>6,550,000</u>

As a condition of the acquisition the Magee family agreed to sell the land and buildings situated in Burnaby presently leased by Fiberplast. This purchase by the Company was completed in 1981 and is reflected in the cost of completing capital projects (Note 11).

Note 3. Inventories

	1980	1979
	\$	\$
Raw Materials and Supplies	10,107,412	7,047,331
Work-in-Progress	1,854,332	1,479,731
	<u>11,961,744</u>	<u>8,527,062</u>

Note 4. Fixed Assets

	1980			1979
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	2,269,737		2,269,737	2,072,165
Buildings	7,356,100	746,611	6,609,489	5,044,662
Equipment	15,185,514	4,661,706	10,523,808	8,558,738
	<u>24,811,351</u>	<u>5,408,317</u>	<u>19,403,034</u>	<u>15,675,565</u>

Note 5. Financing**Bank Advances**

All bank advances are secured by an assignment of accounts receivable and inventories, mortgages on certain equipment and real property, and floating charges on assets.

Term Bank Advances

	1980	1979
	\$	\$
Term Bank Loans	3,515,000	3,515,000
Other Deferred Bank Loans	17,503,933	10,630,465
	<u>21,018,933</u>	<u>14,145,465</u>
Less: Current Portion	1,500,000	700,000
	<u>19,518,933</u>	<u>13,445,465</u>

NOTES (continued)

Note 5 (continued)

Long Term Debt	1980	1979
	\$	\$
1972 Series 8½ % Sinking Fund Debentures due June 15, 1992	4,957,000	5,137,000
Other term loans with interest at varying rates, secured by charges on specific assets repayable in varying annual installments by 1998	1,366,071	971,402
	6,323,071	6,108,402
Less: Current Portion	169,308	153,037
	6,153,763	5,955,365

Repayment Terms

At the Company's option, redemption for other than sinking fund purposes of any part of the debentures may take place at a premium of 4½ % in 1981, decreasing by ½ % per year to 1990.

Other term loans include \$681,642 of debt payable in United States funds.

Payments required in the next five years to meet term and long term debt installments are:

	\$
1981	1,669,000
1982	1,813,000
1983	1,913,000
1984	1,400,000
1985	322,000
	7,117,000

Note 6. Capital Stock

Authorized

During the year the Company increased its authorized capital from 5,200,000 shares to 10,200,000 shares by creating 1,000,000 each of Fourth and Fifth Preferred shares, 1,000,000 Class B Common shares, and 2,000,000 Class A Common shares.

The Company also altered its existing authorized capital by designating the common shares as Class A Common and the Class A, B, and C Preference shares as First, Second, and Third Preferred shares respectively. At December 31, 1980 the authorized capital is:

- 50,000 First Preferred cumulative, nonvoting redeemable shares with a par value of \$100 each
- 40,000 Second Preferred cumulative, nonvoting redeemable shares with a par value of \$100 each
- 110,000 Third Preferred, nonvoting shares with a par value of \$100 each
- 1,000,000 Fourth Preferred cumulative, convertible, redeemable shares with a par value of \$2.75 each
- 1,000,000 Fifth Preferred cumulative, nonvoting, convertible, redeemable shares with a par value of \$2.75 each
- 7,000,000 Class A Common shares without par value
- 1,000,000 Class B nonvoting Common shares without par value

Note 6 (continued)

	1980	1979
<i>Issued and Fully Paid</i>	\$	\$
— 50,000 First Preferred shares	5,000,000	5,000,000
— 40,000 Second Preferred shares	4,000,000	4,000,000
— 738,800 Fourth Preferred shares	2,031,700	
— 723,968 Fifth Preferred shares	1,990,912	
— 1,953,495 (1979 - 1,902,495) Class A Common shares	5,664,193	5,525,984
	<u>18,686,805</u>	<u>14,525,984</u>

Dividends, Redemption and Convertibility

— **First Preferred Shares**

carry a dividend of 7.75% and are redeemable June 30, 1989 at a premium of 8%. The Company has the right to redeem at par at any time prior to March 31, 1982 and at a premium of 1%, increasing 1% per annum after that date, up to and including 1989.

— **Second Preferred Shares**

carry a dividend equal to 52/100 of the prime rate of The Toronto-Dominion Bank from time to time but such dividend may, however, increase at the option of the holder to a rate not in excess of 1.0088 times the prime rate if the tax treatment of the dividend to the holder changes. The Company has the right to redeem the shares for debt in the event that the dividends increase to 1.0088 times the prime rate. The Company has the right of redeeming at par at any time prior to March 31, 1984. After that date the holder may require the Company to redeem the shares in accordance with a formula contained in the special rights and restrictions set out in the memorandum of the Company. The shares are redeemable June 30, 1989.

— **Third Preferred Shares**

may be issued in one or more series. The directors of the Company are authorized to determine the redemption rights and the rate or amount of dividends provided that the rate does not exceed one half of the prime rate of the Bank plus 3%.

— **Fourth Preferred Shares**

carry a dividend of 7.75% and may, at any time, be converted into fully paid Class A Common shares on a one for one basis. The Company or the holder may redeem, at any time, all or any part of the shares at a redemption price per share not to exceed the par value plus all accrued dividends.

— **Fifth Preferred Shares**

carry a dividend of 7.75% and may, at any time, be converted into fully paid Class B Common shares on a one for one basis. The Company or the holder may redeem, at any time, all or any part of the shares at a redemption price per share not to exceed the par value plus all accrued dividends.

— **Class B Common Shares**

may, at any time after January 1, 1984, be converted into fully paid Class A Common shares on a one for one basis. The Class B Common shares participate equally as to dividends with the Class A Common shares.

The financing agreements and restrictions attached to Preferred shares contain provisions which restrict, under certain conditions, declaring Common share dividends.

NOTES (continued)

Note 6 (continued)

Shares Issued During the Year	Number of Shares	\$
— Preferred shares issued on acquisition of subsidiary (Note 2)		
Fourth	738,800	2,031,700
Fifth	723,968	1,990,912
— Common shares issued for cash under the Employee Stock Purchase Plan	51,000	138,209

Share Commitments

At December 31, 1980 the Company has reserved 44,000 Class A Common shares for an Employee Stock Purchase Plan.

At December 31, 1980 there were 315,000 Class A Common share purchase warrants outstanding entitling the holders to purchase Class A Common shares at a price of \$6.64 on or before June 15, 1982.

Note 7. Extraordinary Items

	1980	1979
Disbursement caused by default of third party indemnity on settlement of lawsuit net of income taxes recovered of \$504,000	\$ (546,000)	\$
Reduction of income taxes on application of prior period losses	1,856,000	1,095,200
Gain on sale of investment net of income taxes of \$385,000		320,936
	<u>1,310,000</u>	<u>1,416,136</u>

During the year the Company and four other defendants reached a settlement on an action for the loss of use and repair and reconstruction of a building following a roof collapse in January 1977. The Company had third party indemnities on this lawsuit but one insurance company declined to participate in the settlement to the extent of its indemnity. The Company has commenced an action against this insurance company to recover on its portion of the settled amount. The estimated costs of collection have been provided for but the anticipated recovery is not reflected in the Company's accounts.

Note 8. Income Taxes

Subject to a review by the appropriate taxation authorities, the company has approximately \$8,000,000 of income tax losses, expiring at various dates up to and including 1987, available to reduce future income for tax purposes, and approximately \$900,000 of allowances and other deductions with no expiry date.

Note 9. Earnings per Share

	1980	1979
Basic	\$	\$
Earnings before extraordinary items	.95	.18
Extraordinary items	.68	.74
Earnings for the year	<u>1.63</u>	<u>.92</u>
 Fully Diluted		
Earnings before extraordinary items	.89	
Extraordinary items	.63	
Earnings for the year	<u>1.52</u>	

Fully diluted earnings per share are based on the conversion of 738,800 Fourth and 723,968 Fifth Preferred shares and the issue of 44,000 Class A Common shares reserved in the Company's Stock Purchase Plan (Note 6) assuming the proceeds would yield income net of income taxes of \$16,000 computed at the average annual interest rate on the current bank advances of the Company.

Note 10. Other Information

- a) Remuneration of directors and senior officers amounted to \$612,197 (1979 - \$462,336).
- b) Selling, general and administrative expenses for the year amounted to \$7,166,029 (1979 - \$5,416,711).
- c) The 1979 \$236,424 Net Loss from Discontinued Operations is included in the 1979 restated Earnings Before Extraordinary Items to conform with the current year's presentation.

**Note 11. Commitments and
Contingent
Liabilities**

The Company has long term lease commitments requiring average annual payments of approximately \$590,000 in each of the next five years.

The estimated cost of completing capital projects in progress at December 31, 1980 is approximately \$1,400,000 including approximately \$600,000 for the purchase of land and building in Burnaby (Note 2). Financing for these commitments has been arranged.

Legal actions involving approximately \$500,000 have been instituted against the Company. Counter claims have been issued in excess of this amount and the Company also has related indemnity from third parties covering a major portion of the amounts claimed.

Note 12. Subsequent Events

On January 1, 1981 the Company entered into a two year lease agreement with an option to purchase from Zenith Steel Fabricators Limited, land, buildings and equipment located in Richmond, British Columbia. The lease commitments have been reflected in Note 11.

Corporate History

1965 Edmonton operation commenced to design, fabricate and erect steel joists and structural steel.

1966 Calgary plant acquired to produce fabricated structural steel and air fin heat exchangers.

Saskatoon plant established to manufacture steel joists and fabricate structural steel.

1969 New Westminster plant opened to produce steel joists and fabricate structural steel.

1970 Great West Steel Industries Ltd. became a public company.

1971 Atlas Construction & Crane Service acquired, with operations at Edmonton and Calgary.

Calgary coal wash plant and laboratories established, now known as Birtley Coal and Minerals Testing.

Birtley Engineering Ltd., U.K. was purchased with facilities in Chesterfield, England and Glasgow, Scotland.

Toronto steel joist manufacturing facilities were purchased from Anthes Steel Products Ltd.

1972 Seattle sales and engineering office was opened.

Wallclad Products Ltd. was acquired to produce and install steel faced sandwich wall panels.

International Brick & Tile was purchased with the intent to produce ceramic bricks and tile from fly ash.

Taskmaster Division was started to develop computerized engineering data.

Birtley Engineering Corporation opened offices in Salt Lake City.

1973 Great West Steel Industries Inc. was established in Fontana, California to produce steel joists and structural steel.

Pine Pass Development Ltd. became involved in a coal exploration program under an agreement with Pan Ocean Oil Ltd.

Bimac Engineering & Chemicals Limited, U.K. was formed to produce and market consumable foundry products for the steel industry.

Bimac Division was established in Detroit, Michigan.

1974 Dycore Division of Wallclad was started in North Vancouver for the production of hollow core concrete slabs for the construction industry.

1975 Super Crane & Rigging Ltd. acquired to provide crane rental services in B.C.

Acquired 50% of Associated Engineering Services Ltd., a major consulting engineering company in Western Canada.

Acquired 50% of GWS Krupp Industries Ltd., Edmonton and sold it the Great West Steel Edmonton plant.

Acquired 50% of GWS and Shell Ltd., which in turn acquired Birtley Engineering Ltd., U.K. from Great West Steel.

Great West Steel entered a joint venture with Rashid Construction in the United Arab Emirates.

1976 In May, Hugh A. Magee was elected President following major changes in the Board of Directors.

Fontana, California steel fabricating and joist plant closed.

Taskmaster Division sold.

Wallclad metal panel plant sold.

Great West Steel withdrew from active participation in Abu Dhabi hotel project.

Closed Toronto steel operations.

Sold assets of Bimac Chemicals.

Reached agreement to sell 50% interest in Associated Engineering Services Ltd.

1977 Sold the U.S. operations of Birtley Engineering Corp., Salt Lake City.

Pine Pass Development Ltd. coal exploration program abandoned.

Raised \$5,000,000 First Preferred share equity.

Closed International Brick & Tile.

1978 Sold the 50% interest in GWS Krupp Industries Ltd. and purchased joist operations from the former affiliate.

Sold the inadequate Atlas Construction and Crane Service property at Edmonton.

Decided to dispose of Strescore plant (formerly Dycore Division) at North Vancouver. Assets subsequently sold.

1979 New Edmonton plant commenced fabrication of open web steel joists and structural steel.

Atlas Crane Division moved to new service centre facilities at Edmonton.

Sold the 50% interest in GWS and Shell Limited, Chesterfield and Glasgow, U.K.

Raised \$4,000,000 Second Preferred share equity.

Made full provision for uncollected Middle East accounts receivable.

Purchased Universal Metal Fabricators, Inc. Seattle, WA. and subsequently renamed it Great West Steel Fabricators, Inc.

1980 Raised \$2,031,700 Fourth Preferred, \$1,990,912 Fifth Preferred and \$138,209 Common share equity.

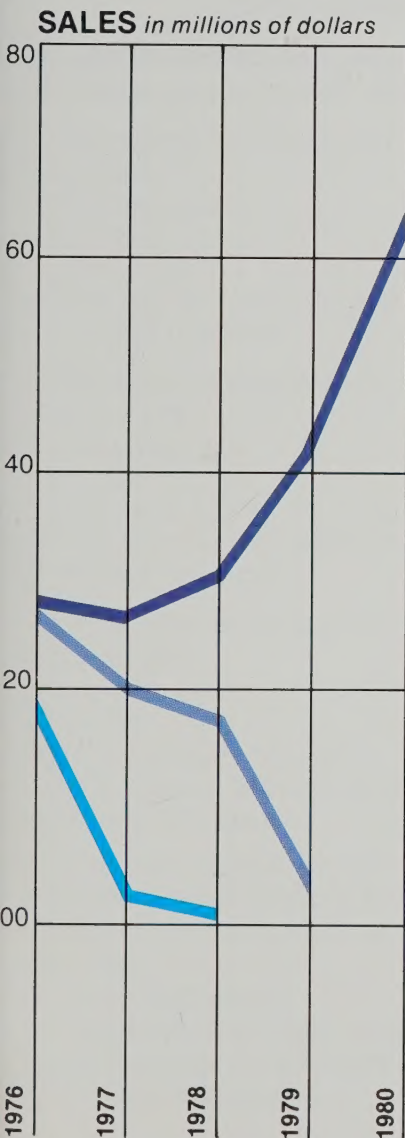
Acquired Fiberplast Products Ltd. of Burnaby and Winfield, producers and suppliers of polyester resins and related materials. Subsequently merged into GWS.

Acquired Wespac Trailer Supply Ltd., Burnaby, wholesale distributors of industrial products. Subsequently renamed GWS Purchasing and Warehousing Corporation.

Leased with option to purchase the assets of Zenith Steel Fabricators Ltd., now operating as the Richmond Plant of GWS.

Historical Review

In thousands of dollars except as indicated



Continuing —
 Affiliate(s) —
 Discontinued —

		restated			
FINANCIAL POSITION AT YEAR END	1980	1979	1978	1977	1976
Net Working Capital*	13,777	9,310	4,885	2,295	98
Net Fixed Assets	19,403	15,676	7,035	5,001	5,241
Other Assets	5,683	283	1,640	3,368	6,757
Funded Debt	25,673	19,401	13,450	11,462	11,192
Shareholders' Equity	13,190	5,868	110	(798)	904
CAPITAL EXPENDITURES					
ON FIXED ASSETS	2,140	9,405	2,710	379	16,949
EMPLOYMENT					
Total Payroll & Benefits	24,707	16,822	12,742	10,857	19,721
Total Number of Employees	932	752	589	417	682
INCOME AND RELATED DATA					
Sales	63,428	44,901	32,320	28,600	48,287
Earnings (Loss) from Continuing Operations before Income Taxes	4,923	1,512	523	(426)	(1,155)
Earnings (Loss) from Discontinued Operations before Income Taxes			(775)	(5,429)	(13,404)
Equity Earnings from Investments					532
Earnings (Loss) before Income Taxes	4,923	1,512	(252)	(5,855)	(14,027)
Income Taxes	2,360	711	(103)	36	(4,335)
Earnings (Loss) before Extraordinary Items	2,563	801	(149)	(5,891)	(9,692)
Extraordinary Items	1,310	1,416	1,057	(811)	71
Earnings (Loss) for the Year	3,873	2,217	908	(6,702)	(9,621)
Depreciation and Amortization	1,481	778	460	451	850
Interest on Long Term Debt	1,872	856	474	495	506
Other Interest	613	835	388	295	2,092
Earnings (Loss) as % of Sales					
Continuing Operations	4.0	1.8	0.8	(1.6)	(1.4)
Discontinued Operations			(1.3)	(18.5)	(18.7)
Before Extraordinary Items	4.0	1.8	(.5)	(20.1)	(20.1)
After Extraordinary Items	6.1	4.9	2.8	(23.4)	(19.9)
Earnings (Loss) per Share**					
Continuing Operations	95¢	18¢	14¢	(24¢)	(36¢)
Discontinued Operations			(22¢)	(\$2.85)	(\$4.73)
Before Extraordinary Items	95¢	18¢	(8¢)	(\$3.09)	(\$5.09)
After Extraordinary Items	\$1.63	92¢	48¢	(\$3.52)	(\$5.06)
Cash Flow per Share**					
Continuing Operations	\$2.91	\$1.21	39¢	(2¢)	(18¢)
Discontinued Operations			(16¢)	(\$2.26)	(\$4.54)
Before Extraordinary items	\$2.91	\$1.21	23¢	(\$2.28)	(\$4.72)
After Extraordinary items	\$2.37	\$1.58	85¢	(\$2.28)	(\$4.68)

*Including current portion of Deferred Income Taxes

**Based on a weighted average of 1,935,470 Common Shares outstanding during 1980
 (1979 -1,902,495)

Great West Steel Industries Ltd.

DIRECTORS

J. Leslie Bodie, Calgary
Vice-President, Genstar Limited

Bryan A. Ellis, Vancouver
Chairman, Associated Engineering Services Ltd.

A. John Fisher, Toronto
Chairman, Fiberglas Canada Inc.

David L. Helliwell, Vancouver
Chairman, B.C. Resources Investment Corporation

Hugh A. Magee, Vancouver
Chairman & Chief Executive Officer, Great West Steel Industries Ltd.

John W. Poole, Vancouver
President & Chief Executive Officer, Daon Development Corporation

Mervyn G. Schweitzer, Vancouver
President & Chief Operating Officer, Great West Steel Industries Ltd.

C. R. Mallory Smith, Vancouver
Chairman, President & Chief Executive Officer, Koppers International Canada Ltd.

OFFICERS

Hugh A. Magee,
Chairman & Chief Executive Officer

Mervyn G. Schweitzer,
President & Chief Operating Officer

Harry B. Dunbar, *Senior Vice-President*

George B. Bogdanow, *Vice-President*

D. Scott Kennedy, *Vice-President*

Thomas M. Pytel, *Vice-President*

William E. Allen, *Secretary*

SUBSIDIARIES

Atlas Construction & Crane Service Ltd.,
Edmonton and Calgary

Great West Steel Industries Inc.,
Great West Steel Fabricators, Inc.,
Great West Steel Engineering Corp.,
Seattle

Super Crane & Rigging (1978) Ltd.,
Vancouver

GWS Purchasing & Warehousing
Corporation, Vancouver

STOCK LISTINGS

Toronto, Montreal and Vancouver
Stock Exchanges

BANKERS

The Toronto-Dominion Bank

AUDITORS

Arthur Andersen & Co.
Chartered Accountants

TRANSFER AGENTS & REGISTRARS

*For common shares, preference shares
and share purchase warrants:*

The Canada Trust Company, Vancouver,
Toronto, Edmonton, Regina, Winnipeg,
Montreal

For debentures:

The Royal Trust Company,
Vancouver, Edmonton, Toronto,
Montreal

EXECUTIVE OFFICES:

Great West Steel Industries Ltd.
2600 Oceanic Plaza,
1066 West Hastings Street,
VANCOUVER, B.C. V6E 3Z2
Telephone Number (604) 682-3101
Telex Number 04-55110

REGISTERED OFFICE

1800 — 700 West Georgia Street,
Vancouver, B.C.

STEEL DIVISION

Great West Steel Industries Ltd.,
New Westminster Plant,
6010 Trapp Road,
NEW WESTMINSTER, B.C. V3N 2V4
Telephone Number (604) 524-4421
Telex Number 507885

Great West Steel Industries Ltd.,
Richmond Plant,
1880 - No. 4 Road,
RICHMOND, B.C. V6X 2L2
Telephone Number (604) 273-4661
Telex Number 04-355779

Great West Steel Industries Ltd.,
Calgary Plant,
223 - 53rd Avenue S.E.,
P.O. Box 5688, Station "A",
CALGARY, ALBERTA T2H 1Y1
Telephone Number (403) 252-7591
Telex Number 03-822720

Great West Steel Industries Ltd.,
Edmonton Plant,
2801 - 84th Avenue,
P.O. Box 190,
EDMONTON, ALBERTA T5J 2J1
Telephone Number (403) 464-0435
Telex Number 037-3792

Great West Steel Industries Ltd.,
Saskatoon Plant,
2502 Thayer Avenue,
P.O. Box 239,
SASKATOON, SASK. S7K 3K4
Telephone Number (306) 653-2848
Telex Number 074-2644

Great West Steel Industries Inc.,
Great West Steel Engineering Corp.,
Great West Steel Fabricators, Inc.,
Seattle Plant
7038 South 196th Street,
KENT, WASHINGTON, U.S.A. 98031
Telephone Number (206) 872-8730
Telex Number 0032-8437

CRANE DIVISION

Atlas Construction & Crane Service
Division of Great West Steel Industries Ltd.,
2507 - 84th Avenue,
P.O. Box 5856, Station "L",
EDMONTON, ALBERTA T6C 4G3
Telephone Numbers - (403) 464-2600;
and 464-2400
Telex Number 037-3792 (Great West Steel, Edmonton)

Atlas Construction & Crane Service,
Division of Great West Steel Industries Ltd.,
505 - 50th Avenue, S.E.,
P.O. Box 5580,
CALGARY, ALBERTA T2H 1X9
Telephone Number (403) 253-0397
Telex Number — 03-822720 (Great West Steel, Calgary)

Super Crane & Rigging,
Division of Great West Steel Industries Ltd.,
5249 Regent Street,
BURNABY, B.C. V5C 4H4
Telephone Number (604) 291-9401

COAL TESTING DIVISION

Birtley Coal & Minerals Testing,
Division of Great West Steel Industries Ltd.,
505 - 50th Avenue, S.E.,
P.O. Box 5488, Station "A",
CALGARY, ALBERTA T2H 1X9
Telephone Number (403) 253-8273
Telex Number 03-822720 (Great West Steel - Calgary)

FIBERPLAST DIVISION

Fiberplast Products,
Division of Great West Steel Industries Ltd.,
6888 Burlington Avenue,
BURNABY, B.C. V5J 4H1
Telephone Number (604) 263-9937

Fiberplast Products,
Division of Great West Steel Industries Ltd.,
McCarthy Road,
P.O. Box 69,
WINFIELD, B.C. V0H 2C0
Telephone Number (604) 766-2988
Telex Number 04-85286

WESPAC DIVISION

Wespac Products,
Division of GWS Purchasing & Warehousing Corporation,
7628 Winston Street,
NORTH BURNABY, B.C. V5A 2H4

Wespac Products,
Division of GWS Purchasing & Warehousing Corporation,
McCarthy Road,
P.O. BOX 69,
WINFIELD, B.C. V0H 2C0
Telephone Number (604) 766-2988
Telex Number 04-85286

GWS PURCHASING & WAREHOUSING CORPORATION

Divisions at each of the above listed plant and warehouse locations

